

**Internal Revenue Service**  
**P.O. Box 2508**  
**Cincinnati, OH 45201**

**Department of the Treasury**

**Release Number: 201205016**  
**Release Date: 2/3/2012**  
**Date: November 8, 2011**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

**UIL Code**  
**4945.04-04**

**LEGEND**

Y= Corporation  
x = \$Amount  
y = \$Amount

Dear

We have considered your request for advance approval of your employer-related grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated July 7, 2011.

Our records indicate that you were recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a grant-making program. The purpose of the program is to provide scholarships to the dependents of employees of Y and its subsidiaries for paying tuition and other related academic costs. A dependent is defined as any biological, adopted or step-children of an employee of Y and its subsidiaries. Your program will be publicized through the employee newsletter and other written communications to the employees of Y and its subsidiaries.

You will make available up to six scholarships per year. The amount of each scholarship will range from x to y. The amount, number and frequency of scholarships will be based on budgetary constraints and in accordance with the Percentage Test stated in section 4.08 of Internal Revenue Procedure 76-47. You also will comply with the seven conditions set forth in Rev. Roc. 76-47. You have stated that the purpose of the program is not to recruit employees and that selection or approval of scholarship is not conditioned upon the continuing employment of the recipient's parent(s). You will not provide scholarships to attend educational institutions to your employees.

The minimum eligibility requirements are that the applicant is a dependent of an employee of Y and meet the minimum standards for admission to an accredited educational institution and be enrolled in such an institution or reasonably expected to attend such an institution. Dependents and relatives of your officers and/or directors, the selection committee and substantial contributors are not eligible for scholarships under your program. Eligible applicants must submit a comprehensive description which should include their most recent cumulative grade point average, results from performance tests designed to measure ability and aptitude for higher education, a letter from the participating educational institution stating that the applicant has been or will be admitted to the educational institution, a letter of recommendation from an educator or superior who is familiar with the qualifications of the applicant and biographical data, including the applicants name and address. In addition, the applicants have the option of providing a one paragraph essay describing their educational goals.

The members of the selection committee will be selected by your board of directors on a yearly basis. You will consider individuals who are knowledgeable in the field of education. Your board members, current or former employees of Y and its subsidiaries and individuals that are directly related to the aforementioned individuals are not eligible to serve on the selection committee.

Scholarship payments will be made directly to recipients. Scholarships are not renewable but the recipients can re-apply each year if scholarships are available. A recipient will be required to submit a report once a year at the end of their spring semester. The report will include the progress of the student, activities and precise manner in which the grant funds have been expended.

You will review the reports. If you determine that any part of the scholarship has been used for improper purposes, you will take all reasonable and appropriate steps to recover diverted funds or to ensure restoration of diverted funds. If the recipient has not received all funds, further payments will be suspended and may be terminated if the diversion was previously ongoing.

You will maintain case histories showing recipients of scholarships granted, including names, addresses, purpose of awards, amount of each grant, manner of selection and relationship (if any) to officers, trustees, or donors of funds to you.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);

- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Revenue Procedure 76-47, 1976-2 C.B. 670, sets forth guidelines to be used in determining whether a grant made by a private foundation under an employer-related program to a child of an employee of the particular employer to which the program relates is a scholarship grant that meets the provisions of section 117(a) of the Code (as that section read before the Tax Reform Act of 1986). If a private foundation's program satisfies the seven conditions set forth in Sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage test described in Section 4.08, the Service will assume the grants meet the provisions of section 117(a), as that section read before the Tax Reform Act of 1986.

You have agreed that procedures in awarding grants under your program will be in compliance with Sections 4.01 through 4.07 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). In particular, the selection of individual grant recipients will be made by a selection committee the members of which are totally independent and separate from the private foundation, the foundation's creator, and the relevant employer. The grants will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the employer. The recipient will not be restricted in a course of study that would be of particular benefit to the relevant employer or to the foundation.

Section 4.08 of Rev. Proc 76-47 provides a percentage test guideline. It states in the case of a program that awards grants to children of employees of a particular employee, the program meets the percentage test if either of the following tests are met: the number of grants awarded under that program in any year to such children do not exceed 25 percent of the number of employees' children who were eligible, were applicants for such grants, and were considered by the selection committee in selecting the recipients of grants in that year, or the number of grants awarded under the program in any year to such children does not exceed 10 percent of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year.

You have agreed that your program will meet the requirements of either the 25 percent or 10 percent percentage test of Section 4.08 applicable to a program that awards grants to children of employees of a particular employer. Records should be maintained to show that you meet the applicable percentage test of Section 4.08

This determination is issued with the understanding that in applying the 10 percent test applicable to employees' children set forth in Rev. Proc. 76-47, you will include as eligible only those children who meet the eligibility standards described in Rev. Proc. 85-51, 1985-2 C.B. 717.

This determination will remain in effect as long as the procedures in awarding grants under your program remain in compliance with Sections 4.01 through 4.08 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). If you enter into any other program covering the same individuals, the percentage test of Rev. Proc. 76-47 must be met in the aggregate.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g)(1) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your employer-related grant-making program is a one-time approval. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

**We have sent a copy of this letter to your representative as indicated in your power of attorney.**

**If you have any questions, please contact the person whose name and telephone number are shown above.**

**Sincerely yours,**

**Lois G. Lerner  
Director, Exempt Organizations**

**Enclosure: Notice 437  
A copy of redacted Letter**